



April 4, 2009

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
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Alexandria, VA 22314-3428

Submitted By: e-mail to [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Dear Members of the Board,

Thank you for the opportunity to comment on the role corporate credit unions currently play in the credit union system. Our comments reflect the experience we have gained in managing a corporate credit union for 31 years and the ideas and wisdom provided by our membership in a survey (which is attached) conducted several weeks ago specifically targeting the field of membership, structure and governance questions posed in the Advanced Notice of Proposed Rulemaking (ANPR).

Missouri Corporate Credit Union (MCCU) is a state-chartered, federally-insured corporate credit union. MCCU was chartered in 1976 with a national field of membership. Our assets as of February 28, 2009, were \$1,062,513,142 and we have 155 Regular members (those with membership capital shares on deposit) and 157 Associate members. The bulk of our member credit unions are located in Missouri, Illinois and Oklahoma with the remaining members located across the United States.

MCCU has, since its inception, been a "pass-through" corporate. That is, we invest almost exclusively in U.S. Central Federal Credit Union (US Central). As a result, we have a simple infrastructure, low operating costs, and minimal fees. This strategy has enabled us to build capital and at the same time provide competitive returns on investments and competitive pricing on products and services. As of December 31, 2008, MCCU had the fifth-highest Retained Earnings ratio among all corporates, the fifth-highest Core Capital ratio and the tenth-highest Capital ratio. In addition, MCCU had the second-highest Cost-of-Funds ratio, the third lowest Net Interest Income ratio and the fourth-lowest Operating Expense ratio, which is evidence of the success of this "pass-through" approach.

Our mission is “to help our members succeed.” To that end, we have focused our attention on providing products and services that help our members conduct their business with less cost, less time spent on back-office activities and fewer interruptions. This approach frees them to concentrate on serving their own members. We essentially want to be invisible to them and provide simple, competitive and sustainable products and services.

An Executive Summary of our comments is attached followed by more specific responses to the questions raised in the ANPR.

## **Executive Summary**

### **The Role of Corporates in the Credit Union System.**

We understand that NCUA's main role as a regulator is to manage risk in the system. However, there is something bigger than just reducing risk in the system. Actions taken by the NCUA should be considered in light of their effect on the entire credit union *movement*. The movement is not just a financial system; it is a cooperative. It provides its owners a voice in their own lives that cannot be provided through any other financial ownership structure. At the end of this process the movement should be strengthened, not weakened.

In our opinion, two factors contributed to the current situation. The first factor is competition among corporates and the second factor is investment concentration risk in certain sectors of the market. As competition intensified, net income fell as corporates began to squeeze profit in order to pay higher rates. As net income fell, contributions to capital also fell.

A proven structure exists today which is the "pass through" structure. Corporates should function as "pass-throughs" with a defined ability to incur risk.

#### Payment system

It would be very difficult, if not impossible, for a corporate to provide *only* payment services or *only* investment services to achieve economic feasibility.

If a corporate were to offer only payment services they would have to raise the cost of the payment services substantially in order to generate enough money to build capital to guard against the risk inherent in payment products. Members would not accept the cost increases necessary to operate the corporate exclusively as a payment provider.

#### Liquidity and liquidity management

We firmly believe liquidity is a core service of a corporate credit union. The liquidity function should be preserved and defended but not by limiting other specific types of products and services. If liquidity is goal number one, and a corporate exercises discipline in investing by operating as a "pass through," a corporate should not be precluded from offering other types of supportive products and services.

#### Field of Membership (FOM) Issues

Requiring credit unions to contribute capital to a corporate as a condition of joining a corporate is a better method of limiting competition than restricting corporate FOMs. If FOMs are restricted, a regional concept is most desirable

wherein existing corporates are limited to their “headquarter” state and contiguous states.

### Expanded Investment Authority

Expanded investment authorities are appropriate, only at the national level (US Central or equivalent), provided proper boundaries are clearly defined.

### Structure; two-tiered system

The two-tiered system should be retained and corporates should be operated as “pass-through” corporates. In a “pass through” system, risk is concentrated at the national level (US Central or some such entity) and individual corporates “pass through” products and services from the national level to their members. There is minimal risk on a corporate balance sheet. Infrastructure costs are reduced because replication of US Central infrastructure and expertise at the corporate level is avoided. This “pass through” approach is time proven, not experimental.

Should the two-tier system not be retained, our second choice is to create a US Central “branch” system. Outside capital, could be raised but limited to less than 50% of total capital. Furthermore, non-credit union shareholders should not vote and each shareholder should be limited to no more than a certain percentage of shares.

### **Corporate Capital**

Part 704 should be changed to require that a credit union must, as a condition of membership in a corporate, deposit some form of capital. The capital could take the form of Membership Capital Shares or Paid-In Capital (PIC) with a perpetual maturity or a combination of the two. We believe the current language in Part 703.14(b) that limits the amount of capital contributions in corporate credit unions be retained. This will provide a limit on the amount of contributed capital at risk by natural person credit unions.

### Core Capital

Capital requirements should be standardized among all corporates. Today, each corporate has different membership capital requirements. By standardizing the membership capital formula, credit unions can more easily choose membership in a corporate based on a corporate’s reputation for service.

Membership capital -- see comments on Corporate Capital and Core Capital.

Risk-based capital and contributed capital requirements -- see comments on Corporate Capital and Core Capital.

## **Permissible Investments**

We do not believe the NCUA should limit corporate investment authorities to those allowed for natural person credit unions. However, the NCUA should address concentration risk in Part 704. Under the “pass through” model we are recommending, limits should be placed at US Central on the amount of investments in various sectors. However, we urge caution in being too conservative. In today’s stressed atmosphere, some are calling for limits so restrictive they would be unworkable in an effort to “never let this happen again.” Investment limits should be constructed based on operating in a “normal” environment, not in today’s hyper-sensitive environment.

## **Credit Risk Management**

The current rating system in the United States is seriously flawed. Until that issue is addressed, and assuming the “pass through” concept is not adopted, it would be prudent to require a corporate to only use the lowest rating that meets the minimum requirements of Part 704. Also, additional stress modeling should be required.

## **Asset Liability Management**

The NCUA should reinstate the requirement for modeling and stress testing net interest income and require modeling and testing of credit spread increases. In addition, the NCUA should require external reviews of all key risk processes.

## **Corporate Governance**

In the “pass through” model we are recommending, non-credit union entities should not be represented on US Central’s board. US Central’s board should be limited to the owners, meaning the officials of natural person credit unions and corporate credit unions. The board should not be restricted to CEOs. CFOs or COOs should also be eligible to serve on the board or committees.

Shown below are our comments regarding the specific questions posed in the ANPR.

### **The Role of Corporates in the Credit Union System.**

We understand the need for the ANPR and applaud the NCUA for seeking comments on these critical issues. We also understand that NCUA's main role as a regulator is to manage risk in the system. However, there is something bigger than just reducing risk in the system. Actions taken by the NCUA should be considered in light of their effect on the entire credit union *movement*. The movement is not just a financial system; it is a cooperative. It provides its owners a voice in their own lives that cannot be provided through any other financial ownership structure. Cooperatives are one of the few organizational structures that allow all people to participate as both owners and customers. It allows people to be responsible for the greater good of each other. In today's world, we don't need less of this; we need more.

The NCUA needs to consider the maintenance of products, services, and the health of credit unions, just importantly as it needs to consider ways to enhance the credit union movement. At the end of this process the movement should be strengthened, not weakened. Members will be better off. We will all benefit from this.

In our opinion, two factors contributed to the current situation. The first factor is competition among corporates and the second factor is investment concentration risk in certain sectors of the market. As mergers between already large corporates were granted, the footprint of the large corporates began to expand. Expanded authorities were granted and more risk was taken in order to pay higher rates. As these corporates entered markets already served by smaller corporates, their higher rates were attractive. This caused the smaller corporates, most of who were closely aligned with US Central, to put pressure on US Central to pay higher rates. In response, US Central paid higher rates by taking on more risk. The rating agencies commented on this risk-taking activity in their review of the corporate system. As competition intensified, net income fell as corporates began to squeeze profit in order to pay higher rates. As net income fell, contributions to capital also fell.

Prior to competition, it was not uncommon for MCCU to consistently earn between 15 and 20 basis points per month, often achieving levels much higher than that. Most of our capital was built during this era. Since competition has existed we struggle to earn 10 basis points and contributions to capital have diminished. We address these dual problems, competition and concentration risk, in our comments.

## Payment system

The ANPR seeks comments on “whether payment system services should be isolated from other services to separate the risks.” At the present time, MCCU provides both payment and investment services to credit unions. We think it would be very difficult, if not impossible, to provide *only* payment services or *only* investment services to achieve economic feasibility. Today, MCCU makes a modest profit on payment services because the services are subsidized by the profit made on investments. If we were to offer only payment services we would have to raise the cost of the payment services substantially in order to generate enough money to build capital to guard against the risk inherent in payment products. Our members would not accept the cost increases necessary to operate MCCU exclusively as a payment provider.

As a “pass-through” corporate, MCCU uses the payment products developed by US Central. This pushes the research and development cost to US Central, lowers our costs, and given that most corporates use US Central in this capacity, reduces the cost to our members due to less replication and helps retain the loyalty and closeness of our membership.

Obviously, there is systemic risk associated with a single payment system. If the system fails it could have a catastrophic effect. In order to mitigate the systemic risk, a redundant system could be created. However, creating a redundant system or systems decreases efficiency and drives up costs. Are we willing to pay the increased cost to enhance safety? Given what has happened in recent days, the answer is yes.

## Liquidity and liquidity management

We firmly believe liquidity is a core service of a corporate credit union. As mentioned previously, MCCU has always closely aligned itself with US Central. As investments are purchased by our members we purchase similar, if not identical, investments in US Central. Consequently, insignificant mis-match in maturities or cash flows occurred over the years. As of February 28, 2009, MCCU’s most severe NEV change was -1.726 in the up 300 basis point test. As a result of rigorously following this approach, we have experienced few instances over the years when we have had to borrow externally to fund withdrawals.

The liquidity function should be preserved and defended but not by limiting other specific types of supportive products and services. For many years, MCCU’s investment objectives have been:

1. To enable MCCU to adequately meet the liquidity needs of its members,  
and

2. To provide investment yields to its members that are competitive with other investment products available to credit unions, consistent with safety and soundness.

Note the number one objective addresses liquidity.

Our experience has shown that by closely aligning with US Central and using organizational discipline in investing to enhance liquidity, we can then easily provide liquidity to our members without borrowing externally. That's not to say a corporate should only have one borrowing source. US Central is our primary borrowing source and we have a back-up line of credit with a major US bank. This arrangement has worked quite well.

It has been argued that adhering to such a disciplined approach in matching investments limits a corporate's ability to provide real value to members. Providing liquidity to our members in all types of environments is the real value, not a secondary value. By using this approach we can provide other products and services and we should not be restricted in doing so. If liquidity is goal number one, and a corporate exercises discipline in investing to provide such liquidity, a corporate should not be precluded from offering other types of products and services.

Since we do not engage in investment activity that lends itself to aggregate cash flow limits, we cannot comment on how the requirement should be structured or what cash flow duration limits would be appropriate.

### Membership Survey

On March 6, 2009, we e-mailed a survey to all Regular Members of MCCU (those with Membership Capital Shares on deposit). Sixty-three credit unions responded for a response rate of 41%. Response rates by asset size are as follows: 39% for credit unions less than \$50 million in assets; 67% for credit unions between \$50 million and \$100 million; 36% for credit unions between \$100 million and \$500 million and 50% for credit unions over \$500 million. (A copy of the survey is attached for reference). A series of questions were asked about field of membership issues, structure and governance.

### Field of Membership (FOM) Issues

As noted previously, competition among corporates was one of the principal factors contributing to the current situation. Limiting competition must be part of any solution. Requiring credit unions to contribute capital to a corporate as a condition of joining a corporate is a better method of limiting competition than restricting corporate FOMs (see comments under **Corporate Capital**). If FOMs are restricted, a regional concept is most desirable wherein existing corporates are limited to their "headquarter" state and contiguous states.



### Expanded Investment Authority

MCCU is a “Base” level corporate credit union and has not sought expanded authorities. Consequently, we cannot provide comments on the various questions posed regarding specific expanded authorities. However, expanded investment authorities are appropriate, only at the national level, provided proper boundaries are clearly defined.

### Structure; two-tiered system

The two-tiered system should be retained and corporates should be operated as “pass-through” corporates. Arguably, if that system had been used by all corporates we would not find ourselves facing the serious problems currently confronting us.

In a “pass through” system, risk is concentrated at the national level (US Central or some such entity) and individual corporates “pass through” products and services from the national level to their members. There is minimal risk on a corporate balance sheet. Infrastructure costs are reduced because replication of US Central infrastructure and expertise at the corporate level is avoided. MCCU has operated successfully as a “pass through” corporate for many years. This approach has been overlooked in the conversation about the structure of the corporate network. This “pass through” approach is time proven, not experimental.

Credit unions are able to retain a close working relationship with their corporate, and have a much greater voice in corporate affairs (compared to a one-tier system). A two-tier system also provides another level of capital than a one-tier system, assuming capital requirements in a one-tier system are not “doubled” to make up for the loss of the second tier. Finally, choice is not eliminated. Credit unions can choose which corporates they want to belong to by placing capital on a respective corporate’s balance sheet. There is no choice in a one-tier system.

Our members agree. The survey results reveal that our member owners clearly believe the current two-tiered system meets or exceeds the needs of credit unions. It is also clear that MCCU members believe that if US Central were eliminated there would be a negative impact on large corporate credit unions, with an even more likely negative impact on small corporates. If corporate credit unions are eliminated from the two-tiered system, MCCU members believe that there will be a negative impact on large, medium and small credit unions, with a stronger and more likely negative impact the smaller a credit union is.

Even if the current two-tier system is maintained, risk at US Central should be reduced by requiring US Central to operate more on a “matched book” basis than currently required. As a result, we do not believe the term book at US Central should be eliminated, but “matched” more closely in maturity to the investment(s)

provided by corporates. Such a system, allowed to work over several years, will be successful enough to convince credit unions to re-capitalize corporates and US Central.

Should the two-tier system not be retained, our second choice is to create a US Central “branch” system. Again, the risk will be concentrated at US Central and corporates would be branches of US Central. Under this option, non-government guaranteed investments (term investments) should be limited to 100% of retained earnings. Outside capital, could be raised but limited to less than 50% of total capital. Furthermore, non-credit union shareholders should not vote and each shareholder should be limited to no more than a certain percentage of shares.

As a state chartered, member owned institution, we should control our own destiny and not be subject to a new federal “design.” The NCUA should not dictate the number of corporates. However, based on the PricewaterhouseCoopers LLP (PwC) study, it appears there is an assumption that economies of scale are linked to the number of corporates. One of the “Guiding Principles” of the study is, “The number of corporates should be justified by economies of scale and prudential considerations.” We are not certain if the “Guiding Principles” were developed by the NCUA or by PwC. We wonder why diseconomies of scale were not also mentioned?

That’s not to say economies of scale do not exist. They do. But so do diseconomies of scale. Diseconomies of scale is a valid economic concept. Prior to any corporate consolidation, we urge the NCUA to conduct a thorough due diligence analysis, taking into consideration both economies of scale and diseconomies of scale. The NCUA would expect us to do the same if we consolidated and we expect such an analysis from the NCUA.

## **Corporate Capital**

Part 704 should be changed to require that a credit union must, as a condition of membership in a corporate, deposit some form of capital. The capital could take the form of Membership Capital Shares or Paid-In Capital (PIC) with a perpetual maturity, or a combination of the two. The current language in Part 703.14(b) that limits the amount of capital contributions in corporate credit unions should be retained. This will provide a limit on the amount of contributed capital at risk by natural person credit unions.

As stated previously, two factors contributed to the current situation. The first factor is competition among corporates and the second factor is investment concentration risk in certain sectors of the market. Competition among corporates can be reduced by requiring contributed capital as a condition of membership in a corporate and by limiting the amount of total contributed capital in corporates. These limits do not eliminate choice, an important part of any functioning market.

## Core Capital

Prior to the loss of capital at US Central, MCCU had one of the highest core capital ratios among all corporate credit unions. In November 2000, we issued perpetual, GAAP qualifying PIC to our members. This PIC, combined with a robust retained earnings ratio, enabled us to achieve a high core capital ratio.

Given MCCU's loss of capital at US Central, and our member's subsequent loss of PIC and it appears, a small portion of Membership Capital Shares, it would be very difficult, if not impossible, to persuade our members to purchase PIC again. At this time, it would be very difficult to persuade members to purchase PIC or Membership Capital Shares in *any* corporate structure. If the NCUA intends to re-structure the corporate network into some structure that is different from the "pass through" system described earlier, the NCUA will have to *require* credit unions to invest the capital for the new structure and we certainly don't believe that is prudent. Again, it limits choice and puts the NCUA into the position of creating, by government fiat, a corporate system.

Also, capital requirements should be standardized among all corporates. Today, each corporate has different membership capital requirements. By standardizing the membership capital formula, credit unions can more easily choose membership in a corporate based on a corporate's reputation for service.

Despite the loss of capital at US Central and our member's subsequent loss of capital in MCCU, there is still a strong, positive relationship that exists between MCCU and its members. We are in the best position to convince our members to replace their trust in us, not the NCUA. As long as the specter of re-structuring the corporate system exists, raising contributed capital from our members is all but impossible. They will not invest capital in an institution that may be re-structured without their vote.

Membership capital – see previous comments

Risk-based capital and contributed capital requirements – see previous comments

## **Permissible Investments**

We do not believe the NCUA should limit corporate investment authorities to those allowed for natural person credit unions. However, the NCUA should address concentration risk in Part 704. As stated previously, investment concentration risk, in concert with corporate competition, played a key role in contributing to the losses we are now suffering.

It appears to us that systemic investment risk exists regardless of the structure of the corporate network. Structure did not cause the problems we currently face. Competition and investment concentration risk caused the problems. If all corporates were consolidated into one entity, or if corporates became branches

of one entity, concentration risk would result. If a regional corporate system were adopted, concentration risk would exist in each of the regional corporates. If the current corporate structure were left intact there would be concentration risk (as we have seen).

Under the “pass through” model we are recommending, we believe restrictions should be placed at US Central on the amount of investments in various sectors. For example, US Central should be limited to a certain percentage of investments in mortgage-backed securities, or in asset-backed securities or in CMOs, etc. The percentage could be a percentage of the institution’s capital or a percentage of the entire portfolio. Further limits could be constructed including limits on the amount of securities with certain ratings or the amount of securities with or without government or quasi-government guarantees.

However, we urge caution in being too conservative. In today’s stressed atmosphere, some are calling for limits so restrictive they would be unworkable in an effort to “never let this happen again.” Investment limits should be constructed based on operating in a “normal” environment, not in today’s hyper-sensitive environment.

As we have seen, new securities structures can be developed quickly and their responses to various markets unknown. Limits should be placed on new structures and more frequent regulatory changes should occur in an attempt to keep up with the market.

### **Credit Risk Management**

The current rating system in the United States is seriously flawed. Until that issue is addressed, and assuming the “pass through” concept is not adopted, it would be prudent to require a corporate to only use the lowest rating that meets the minimum requirements of Part 704. Also, additional stress modeling should be required.

### **Asset Liability Management**

The NCUA should reinstate the requirement for modeling and stress testing net interest income and require modeling and testing of credit spread increases. In addition, we believe the NCUA should require external reviews of all key risk processes.

### **Corporate Governance**

In the “pass through” model we are recommending, we believe non-credit union entities should not be represented on US Central’s board. US Central’s board should be limited to the owners, meaning the officials of natural person credit unions and corporate credit unions. The board should not be restricted to CEOs. CFOs or COOs should also be eligible to serve on the board or committees.

Regarding the questions raised in the ANPR, our member survey revealed that credit unions believe that establishing minimum standards of knowledge and expertise and adding directors from natural person credit unions will improve performance of corporates, while adding outside directors will decrease performance. The respondents believe that term limits and compensation will have no impact on the performance of corporates.

Thank you for the opportunity to comment on these critical issues facing the entire credit union movement.

Respectfully submitted on behalf of the MCCU Board of Directors by,

A handwritten signature in black ink, reading "Dennis J. DeGroodt". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dennis J. DeGroodt, CCUE, CUDE

President/CEO

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## **Advanced Notice of Proposed Rulemaking (ANPR) Survey**

### **Missouri Corporate Credit Union**

As I indicated to you in previous communications, the NCUA is seeking comments on a variety of issues affecting corporate credit unions. As you know, Missouri Corporate is a member-owned institution. As an owner, we are seeking your input on several of the topics described in the ANPR. Your answers to these survey questions will help us develop Missouri Corporate's response to the ANPR.

Please take a few moments to complete the survey. There are 17 questions and should not take too long to complete. You may complete the survey electronically. Please send the completed survey to our Administrative Assistant, Michelle Thompson at [mthompson@mocorpcu.coop](mailto:mthompson@mocorpcu.coop). You may also fax the completed survey to 314-542-1379.

Only submit your survey by one method – please don't e-mail the survey *and* fax it.

Thanks for taking time to help us understand how you feel about these important issues!

Sincerely,

Dennis J. DeGroodt, CCUE, CUDE  
President/CEO

<b>Please return the survey no later than Friday, March 13, 2009.</b>
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What is the asset size of your credit union?

- ☐ Less than \$50 million
- ☐ \$50 million to \$100 million
- ☐ \$100 million to \$500 million
- ☐ Greater than \$500 million

### **Field of Membership**

The questions under this heading contain the terms “credit risk” and “marketability risk.” “Credit risk” is defined as the financial health of the corporate and “marketability risk” is defined as a corporate’s ability to market its products and services to members.

1. If corporate field of memberships (FOM) are restricted to regional or state boundaries, what will be the impact on their credit and marketability risks?

- ☐ Significantly reduce the risks
- ☐ Moderately reduce the risks
- ☐ No Impact
- ☐ Moderately increase the risks
- ☐ Significantly increase in the risks
- ☐ Don’t know

2. National field of memberships for corporates have what kind of effect on corporates’ credit and marketability risks?

- ☐ Unacceptable level of risks
- ☐ Higher but acceptable level of risks
- ☐ Acceptable level of risks
- ☐ No impact on risks
- ☐ Reduces the level of risks
- ☐ Don’t know

3. What will be the impact on Missouri Corporate Credit Union's (MCCU's) credit and marketability risk if MCCU's FOM was limited to only Missouri credit unions?

- ☐ Significantly reduce the risk
- ☐ Moderately reduce the risk
- ☐ No Impact
- ☐ Moderately increase the risk
- ☐ Significantly increase in the risk
- ☐ Don't know

**Structure: Two-tiered System**

The questions under this heading use the term "two-tiered" system. The "two-tiered" system refers to corporate credit unions and US Central.

1. How well does the current two-tiered system meet the needs of credit unions?

- ☐ Significantly exceeds the minimum needs of credit union
- ☐ Moderately exceeds the minimum needs of credit union
- ☐ Meets the minimum needs of credit unions
- ☐ Moderately misses the minimum needs of credit union
- ☐ Significantly misses meeting the minimum needs of credit union
- ☐ Don't know

2. If US Central were eliminated from the two-tier system, what impact would that have on *large corporate credit unions*?

- ☐ Very Positive
- ☐ Positive
- ☐ No Impact
- ☐ Negative
- ☐ Very Negative
- ☐ Don't know



3. If US Central were eliminated from the two-tier system, what impact would that have on *small corporate credit unions*?
- ☐ Very Positive
  - ☐ Positive
  - ☐ No Impact
  - ☐ Negative
  - ☐ Very Negative
  - ☐ Don't know
4. If corporate credit unions were eliminated from the two-tier system, what impact would that have on *large credit unions*?
- ☐ Very Positive
  - ☐ Positive
  - ☐ No Impact
  - ☐ Negative
  - ☐ Very Negative
  - ☐ Don't know
5. If corporate credit unions were eliminated from the two-tier system, what impact would that have on *medium-sized credit unions*?
- ☐ Very Positive
  - ☐ Positive
  - ☐ No Impact
  - ☐ Negative
  - ☐ Very Negative
  - ☐ Don't know
6. If corporate credit unions were eliminated from the two-tier system, what impact would that have on *small credit unions*?
- ☐ Very Positive
  - ☐ Positive
  - ☐ No Impact
  - ☐ Negative

- ☐ Very Negative
- ☐ Don't know

7. Please rank the following options in order of preference with "1" being your top preference and "4" being your least favorite preference. Please assign a number to all options.

Corporates become branches of US Central  
Merge all Corporates into US Central  
Reduce the number of Corporates into a regional system  
Keep the system as it is today

8. Please check any of the following options that you believe are not viable choices for changes to the Two-tiered system. You may check multiple options.

- ☐ Corporates become branches of US Central
- ☐ Merge all Corporates into US Central
- ☐ Reduce the number of Corporates into a regional system
- ☐ Keep the system as it is today

### **Corporate Governance**

1. What effect will establishing minimum standards of appropriate knowledge and expertise for corporate credit union directors have on the overall performance of a corporate?

- ☐ Significantly improve performance
- ☐ Moderately improve performance
- ☐ No Impact
- ☐ Moderately decrease performance
- ☐ Significantly decrease performance
- ☐ Don't know

2. What effect will adding "outside directors" to corporate boards have on the overall performance of corporates? "Outside directors" means directors from outside the credit union movement.

- ☐ Significantly improve performance
- ☐ Moderately improve performance

- ☐ No Impact
  - ☐ Moderately decrease performance
  - ☐ Significantly decrease performance
  - ☐ Don't know
3. What effect will adding directors to US Central's board from natural person credit unions have on the overall performance of US Central?
- ☐ Significantly improve performance
  - ☐ Moderately improve performance
  - ☐ No Impact
  - ☐ Moderately decrease performance
  - ☐ Significantly decrease performance
  - ☐ Don't know
4. What effect will adding term limits for corporate directors have on the overall performance of corporates?
- ☐ Significantly improve performance
  - ☐ Moderately improve performance
  - ☐ No Impact
  - ☐ Moderately decrease performance
  - ☐ Significantly decrease performance
  - ☐ Don't know
5. What effect will compensation for directors have on the overall performance of corporates?
- ☐ Significantly improve performance
  - ☐ Moderately improve performance
  - ☐ No Impact
  - ☐ Moderately decrease performance
  - ☐ Significantly decrease performance
  - ☐ Don't know

**Please return the survey no later than Friday, March 13, 2009.**

Please put any additional comments you have on the following page.